

Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 21

[Docket No. 99-02]

RIN 1557-AB66

"Know Your Customer" Requirements

AGENCY: Office of the Comptroller of the Currency (OCC), Treasury.

ACTION: Notice of proposed rulemaking; withdrawal.

SUMMARY: The OCC is withdrawing the "Know Your Customer" proposal which was published December 7, 1998. The OCC is taking this action in response to concerns about the privacy implications and likely burden of the proposed rule.

DATES: The proposed rule is withdrawn on March 30, 1999.

FOR FURTHER INFORMATION CONTACT: Robert Pasley, Assistant Director, Enforcement and Compliance Division (202) 874-4879; Thomas Fleming, Compliance Specialist (202) 874-4879, or Susan Quill, Compliance Expert (202) 874-4879, Community and Consumer Policy; or Mark Tenhundfeld, Assistant Director, Legislative and Regulatory Activities Division (202) 874-4879, Office of the Comptroller of the Currency, 250 E Street SW, Washington, DC 20219.

SUPPLEMENTARY INFORMATION: On December 7, 1998, the OCC, the Federal Reserve Board (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) (collectively, the Agencies) each published "Know Your Customer" proposals.¹ The proposed rules would have required each bank and savings association to develop a program designed to determine the identity of its customers; determine its customers' sources of funds; determine the normal and expected transactions of its

customers; monitor account activity for transactions that are inconsistent with those normal and expected transactions; and report any transactions of its customers that were determined to be suspicious in accordance with the OCC's existing suspicious activity reporting regulations.

In response to its Know Your Customer proposal, the OCC received over 16,000 comments during the comment period, which closed on March 8, 1999. Virtually all of the commenters opposed adoption of the proposed rule. Commenters were concerned primarily about the privacy implications of the proposal and the burden it would impose on financial institutions.

The overwhelming majority of commenters were individual, private citizens who voiced very strong opposition to the proposal as an invasion of personal privacy. Other issues raised by these commenters included that the Agencies lack the authority to issue the proposal; the cost of any Know Your Customer program would be passed on to customers; and the regulation would be ineffective in preventing money laundering and other illicit financial activities.

Banks, bank holding companies, and banking trade groups that commented uniformly opposed the proposal. Their concerns included the following: (1) the regulation would be very costly to implement, especially for small banks; (2) the Know Your Customer program would invade customer privacy; (3) commercial banks would be unfairly disadvantaged and lose customers if all segments of the financial services industry are not covered; (4) compliance with the regulation would divert resources from Y2K preparation; (5) the Agencies lack authority to adopt the regulation; (6) public confidence in the banking industry would be harmed by the regulation; and (7) the regulation is both unnecessary and redundant, as banks are already familiar with their customers and have adequate procedures in place.

In light of the comments received, the OCC is withdrawing the proposal. While the OCC believes that banks should adopt their own policies and procedures to determine the identities of their customers, and should have systems and controls that will allow them to identify suspected illegal conduct, the

large majority of national banks already have policies and processes in place to accomplish these objectives.

List of Subjects in 12 CFR Part 21

Bank Secrecy Act, Crime, Currency, National banks, Reporting and recordkeeping requirements, Security measures.

Authority and Issuance

For the reasons stated in the Preamble, under the authority vested in the OCC by 12 U.S.C. 93a, the OCC's notice of proposed rulemaking titled "Know Your Customer" Requirements, published on December 7, 1998, at 63 FR 67524, is withdrawn.

Dated: March 23, 1999.

John D. Hawke, Jr.,

Comptroller of the Currency.

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 95-ANE-69]

Airworthiness Directives; Pratt & Whitney JT9D Series Turbofan Engines

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes to revise an existing airworthiness directive (AD), applicable to Pratt & Whitney JT9D series turbofan engines, that currently requires initial and repetitive eddy current inspections (ECI) of 14th and 15th stage high pressure compressor (HPC) disks for cracks, and removal of cracked disks and replacement with serviceable parts. This action would revise the definition of a shop visit to make compliance less restrictive, and add references to a Nondestructive Inspection Procedure attached to applicable service bulletins. This proposal is prompted by feedback from operators saying that the shop visit definition in the current AD made AD compliance unnecessarily restrictive. The actions specified by the proposed AD are intended to prevent 14th and 15th stage HPC disk rupture, which

¹ See 63 FR 67524 (OCC); 63 FR 67516 (FRB); 63 FR 67529 (FDIC); 63 FR 67536 (OTS).